

To the Members of the California State Senate:

I am signing Senate Bill 79 with the following objections:

I am eliminating the two hundred million dollar (\$200,000,000) appropriation for transfer from the Transportation Debt Service Fund to the General Fund in paragraph (2) of subdivision (b) of Section 16965 of the Government Code as added by this bill in Section 1. The language making this appropriation is technically deficient and does not conform to what I believe was Legislative intent and may not achieve the intended fiscal result. I am setting aside these funds for appropriation in subsequent legislation to achieve the intended purpose of offsetting General Fund debt service costs for public transportation-related bonds.

I am eliminating the eighty-two million six hundred seventy-eight thousand dollar (\$82,678,000) appropriation for transfer from the Mass Transportation Fund to the General Fund in subdivision (b) of Section 7103 of the Revenue and Taxation Code as added by this bill in Section 5. The language making this appropriation is technically deficient and does not conform to what I believe was Legislative intent and may not achieve the intended fiscal result. I am setting aside these funds for appropriation in subsequent legislation to achieve the intended purpose of offsetting General Fund debt service costs for public transportation-related bonds.

I am also reducing the appropriation in paragraph (1) of subdivision (d) Section 99312 of the Public Utilities Code, as amended in Section 2 of this bill, from two hundred million dollars (\$200,000,000) to one hundred million dollars (\$100,000,000) and modifying the language in the paragraph accordingly as follows:

*"SEC. 2. Section 99312 of the Public Utilities Code is amended to read:*

99312. From the funds transferred to the account pursuant to Section 7102 of the Revenue and Taxation Code, the Legislature shall appropriate funds for the following purposes:

- (a) To the department, 50 percent for purposes of Section 99315.
- (b) To the Controller, 25 percent for allocation to transportation planning agencies, county transportation commissions, and the

San Diego Metropolitan Transit Development Board pursuant to Section 99314.

(c) To the Controller, 25 percent for allocation to transportation agencies, county transportation commissions, and the San Diego Metropolitan Transit Development Board for purposes of Section 99313.

*(d) For the 2007–08 fiscal year, notwithstanding any other provision of this section, or any other provision of law, the allocations made pursuant to this section shall be adjusted as follows:*

*(1) From the funds transferred to the account pursuant to paragraph (1) of subdivision (a) of Section 7102 of the Revenue and Taxation Code, ~~one hundred fifty~~ million dollars ~~(\$100,000,000)~~ (\$50,000,000) shall be allocated pursuant to subdivision (b); ~~one hundred fifty~~ million dollars ~~(\$100,000,000)~~ (\$50,000,000) shall be allocated pursuant to subdivision (c); and the remainder of revenue shall remain in the Public Transportation Account to fund other state public transportation priorities. The Controller shall make these allocations in four equal quarterly amounts of ~~twenty-five~~ twelve and one-half million dollars ~~(\$25,000,000)~~ (\$12,500,000), as achievable by the receipt of the specified revenue.*

*(2) The amount appropriated in Item 2640-101-0046 of the Budget Act of 2006 for state transit assistance pursuant to subdivision (b) and (c) was greater than the amount of revenues received to support state transit assistance pursuant to Section 7102 of the Revenue and Taxation Code. Therefore, notwithstanding any other provision of law, the amount that would have otherwise been available for appropriation to state transit assistance in the 2007–08 fiscal year pursuant to paragraphs (2) and (3) of subdivision (a) of Section 7102 of the Revenue and Taxation Code, shall be reduced by the excess amount that was appropriated to state transit assistance in the Budget Act of 2006, and that excess amount, as determined by the Department of Finance, shall instead remain in the Public Transportation Account to fund other state public transportation priorities. The Controller shall attempt to spread this adjustment equally over four quarterly payments, as achievable by revenue estimates.*

*(e) For the 2008–09 fiscal year and thereafter, notwithstanding any other provision of this section, or any other provision of law, from the funds transferred to the account pursuant to paragraph (1) of subdivision (a) of Section 7102 of the Revenue and Taxation Code, the Legislature shall appropriate funds for the following purposes:*

*(1) To the department, 33.34 percent for purposes of Section 99315.*

*(2) To the Controller, 33.33 percent for allocation to transportation planning agencies, county transportation commissions, and the San Diego Metropolitan Transit Development Board pursuant to Section 99314.*

*(3) To the Controller, 33.33 percent for the allocation to transportation agencies, county transportation commissions, and the San Diego Metropolitan Transit Development Board for purposes of Section 99313."*

I am reducing this appropriation because the total of appropriations made in this account exceeds projected resources and would put the account into a deficit. The revenues funding this appropriation are from the spillover calculation, which has proven to be very unpredictable and volatile in the past. To protect the viability of the other appropriations from the account, in particular those for State Transportation Improvement Program projects, a prudent reserve is necessary. If sufficient revenues become available to provide this level of grants to local transit agencies, I would be willing to consider a supplemental appropriation later in the year. Another provision of this bill provides for substantial increase in these grants in 2008-09.

While I am sustaining the language regarding the out-year funding for the State Transit Assistance program, future year appropriations will be reviewed in light of future budget needs, and therefore may be subject to future redirection.

Sincerely,

Arnold Schwarzenegger